

Message Text

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PAGE 01 STATE 157412

ORIGIN EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY LUXEMBOURG

UNCLAS STATE 157412

E.O. 11652: N/A

TAGS: EAIR, LU

SUBJECT: CIVAIR - (1) LAKER'S SKYTRAIN SERVICE;
(2) NATIONAL AIRLINES' APPLICATION FOR AUTHORITY TO PROVIDE
SCHEDULED, NONSTOP, LOW-FARE SERVICES BETWEEN MIAMI AND
LUXEMBOURG

REF: LUXEMBOURG 0460

1. CAB GRANTED LAKER SKYTRAIN APPLICATION BECAUSE IT CON-
CLUDED THAT LOW-FARE SERVICE (NOT NECESSARILY AT LAKER'S
PROPOSED FARES) MAY WELL BE ECONOMICAL WITH HIGH LOAD
FACTORS AND WOULD BE A SUBSTANTIAL BENEFIT TO THE PUBLIC.
THE US CANNOT PRECLUDE ECONOMICAL LOW-FARE SERVICE TO OTHER
COUNTRIES TO PROTECT ICELANDIC'S LUXEMBOURG SERVICE. IT
SHOULD BE RECOGNIZED, HOWEVER, THAT THE LAKER SKYTRAIN NON-
RESERVATION SERVICE HAS SIGNIFICANT RESTRICTIONS IMPOSED BY
THE BRITISH. ALSO, THE CONDITION WHICH ASSURES US CARRIERS
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PAGE 02 STATE 157412

OF AN OPPORTUNITY TO PROVIDE COMPETITIVE SERVICE AT SAME
LOW FARE ON EXISTING SERVICES APPLIES ONLY TO "STANDBY"
SERVICE. LAKER REPORTEDLY PROPOSES TO INAUGURATE SCHEDULED
SERVICE SEPTEMBER 26.

2. NATIONAL AIRLINES FIRST APPLIED FOR PERMISSION TO
OPERATE LOW-FARE, LOW-FRILL MIAMI-LUXEMBOURG SCHEDULED

SERVICE ABOUT FOUR YEARS AGO. THE CARRIER PROPOSED TO FLY STRETCH DC-8 AIRCRAFT (CONFIGURED AT 251 SEATS), AND TO MAINTAIN FARES COMPETITIVE WITH THOSE CHARGED BY INTERNATIONAL AIR BAHAMA (IAB), A NON-IATA AIRLINE, ON EXISTING OPERATIONS BETWEEN NASSAU AND LUXEMBOURG. NATIONAL HAS ARGUED THAT MUCH OF IAB'S TRAFFIC IS DIVERTED FROM FLORIDA AND OTHER SOUTHERN US AREAS. TO MINIMIZE THE IMPACT ON REGULAR TRANSATLANTIC SERVICES, NATIONAL'S MIAMI-LUXEMBOURG FARE WOULD NOT BE COMBINABLE WITH LOCAL FARES AT EITHER END OF THE ROUTE. IN OTHER WORDS, A PASSENGER STOPPING AT LUXEMBOURG WOULD HAVE TO PAY THE FULL INTRA-EUROPE FARE ON ANY FLIGHT BEYOND LUXEMBOURG, AND THE SAME WOULD BE TRUE FOR WESTBOUND PASSENGERS TRAVELING BEYOND MIAMI.

3. NATIONAL'S APPLICATION, ORIGINALLY PART OF THE TRANS-ATLANTIC ROUTE PROCEEDING, A COMPREHENSIVE US-EUROPE AIR SERVICE CASE, WAS RECENTLY SEVERED AND SET FOR HEARING IN THE SEPARATE MIAMI-LUXEMBOURG LOW-FARE SERVICE INVESTIGATION (BY ORDER 77-4-118, WHICH IS BEING SENT BY POUCH). TWO SUPPLEMENTALS, WORLD AND CAPITOL, HAVE FILED COMPETING MIAMI-LUXEMBOURG APPLICATIONS. THE BOARD HAS NOT YET DECIDED WHETHER THESE APPLICATIONS WILL BE CONSOLIDATED, AND HEARINGS ON MIAMI-LUXEMBOURG SERVICE HAVE NOT YET BEGUN. VANCE

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